



Knowledge Initiative

Dear Patrons,

Season's Greetings.

Here we are with the Eleventh Issue of our monthly newsletter "**Knowledge Initiative**".

We trust you will enjoy reading this newsletter, even while soaking in the contents. We would very much appreciate your feedback which consistently helps us in improving and upgrading the contents.

Also send us your questions or queries related to any financial product.

The Eleventh Issue includes:

1. Interim Budget FY 2014 - 15
2. Impact of Fed Tapering on Indian Markets
3. An Asset Allocation Fund to Consider
4. Rajiv Gandhi Equity Savings Scheme (RGESS)
5. Yamuna Expressway: Great Investment Option
6. Your Real Estate Menu Card



Akhil Chugh
Director

Warm Regards,
Akhil Chugh



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 A PRESENT THAT IS
 A COMPROMISE.**

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Interim Budget FY 2014-15

The Finance Minister (FM) presented the Vote on Account for FY15 i.e. an interim budget in the parliament today. The full-fledged budget for FY15 will be presented by the next elected Government – sometime in June/July 2014. The projections made in this budget, therefore, would be subject to changes according to the policies of the new Government.

Economic Indicators:

- GDP Growth: Government expects GDP (Gross Domestic Product) growth for last 2 quarters of the current fiscal to be not below 5.2%. For FY 14-15 the government expects nominal GDP growth of 13.4% y-o-y after 11.9% growth in FY14.
- Fiscal Deficit: The government in its interim budget for 2014-15 has projected a fiscal deficit of 4.1% of GDP. The total fiscal deficit is estimated at Rs 5420 billion (Rs 5,42,000 crores).
- Current Account Deficit (CAD): The current account deficit projected to be at USD 45 billion in 2013-14 down from USD 88 billion in 2012-13.
- Government Borrowing: The government is budgeted to borrow Rs 4570 billion (net of redemptions and buybacks) in fiscal 2014-15 and is lower than 2013-14 borrowing of Rs 4680 billion, a fall of 2.1%.

Budget Highlights

- The Excise Duty on all goods falling under Chapter 84 & 85 of the Schedule to the Central Excise Tariff Act is reduced from 12% to 10% for the period upto 30.06.2014.
- To give relief to the Automobile Industry, which is registering negative growth, the excise duty is reduced for the period up to 30.06.2014 as follows: Small Cars, Motorcycle, Scooters - from 12 % to 8% , Commercial Vehicles SUVs (Sports Utility Vehicles) - from 30% to 24% and Large and Mid-segment Cars - from 27/24% to 24/20%
- It is also proposed to make appropriate reductions in the excise duties on chassis and trailers.
- To encourage domestic production of mobile handsets, the excise duties for all categories of mobile handsets is restructured. The rates will be 6% with CENVAT credit or 1% without CENVAT credit.
- The custom duty structure on non-edible grade industrial oils and its fractions, fatty acids and fatty alcohol is rationalized at 7.5%.

- To encourage domestic production of specified road construction machinery, the exemption from CVD (Countervailing Duty) on similar imported machinery is withdrawn.
- A concessional custom duty 5% on capital goods imported by the Bank Note Paper Mill India Private Limited is provided to encourage domestic production of security paper for printing currency notes.
- The loading and un-loading, packing, storage and warehousing of rice are exempted from Service Tax and the services provided by cord blood banks are also exempted from Service Tax.

Key Budget Proposals:

- A moratorium period is proposed for all education loans taken up to 31.3.2009 and outstanding on 31.12.2013. Government will take over the liability for outstanding interest as on 31.12.2013 and the borrower would have to pay interest for the period after 1.1.2014. An amount of Rs. 2,600 crore has been provided this year.
- Proposal to amend the Forward Contracts (Regulation) Act.
- It is proposed to set up a Research Funding Organisation that will fund Research Projects selected through a competitive process. Contribution to that organisation will be eligible for tax benefits.
- A Venture Capital Fund to provide concessional finance to Scheduled Caste will be set up by IFCI (Industrial Finance Corporation of India) with an initial capital of Rs. 200 crore which can be supplemented every year.
- Government has accepted the principle of “one rank one pension” for the Defence Forces which will be implemented prospectively from the FY 2014-15. A sum of Rs. 500 crore is proposed to be transferred to the Defence Pension Account in the current Financial Year itself.
- Rs. 11,300 crore is proposed to be provided for Capital infusion in Public Sector Banks.

Our Analysis:

The Vote on Account on expected lines has been muted. The cut in excise duties on automobiles and capital goods will help revive sentiments in these sectors in the near term. The FM has kept the fiscal deficit for FY14 at 4.6% of GDP – well below the year beginning target of 4.8% of GDP. The discipline in keeping fiscal deficit under check and staying away from populist measures is very commendable and highly appreciated.

Fortunately, over the last few months, India has managed to put things under control especially when it comes to the current account deficit which now seems to be manageable. The rupee seems to be in control. In such a situation, investing in fixed income looks attractive. The interest rates are at an all-time high and government is budgeted to borrow Rs 4570 billion (net of redemptions and buybacks) in fiscal 2014-15. The borrowing numbers are positive given that it is lower than 2013-14 borrowing of Rs 4680 billion, a fall of 2.1%.



Impact of Fed Tapering on Indian Markets

We maintain our stance that US Fed tapering will have no impact on India. The stock market may witness short term jitters, but in the long run India growth story remains intact.

Following are the reasons why Fed tapering will have no impact on Indian stock market:

Rupee Factor

The rupee had hit near 69 levels in late August on account of fears that the US would start to taper its \$85 billion stimulus. We see the rupee not having any big impact this time around in the face of the QE cut announced on 29th January. The rupee will weaken on both domestic and external factors; but only gradually. This is because RBI has made some moves and that will act as a cushion for the INR. We see the currency stabilising at about 64 for now. There's some turmoil in emerging market currencies, particularly Argentina and Turkey. But then this is unlikely to impact the Indian rupee in a significant way.

Strong Economic Base

India's current account deficit (CAD) for the current fiscal year is expected to be less than \$50 billion, which is less than 2.5% of the GDP. The country's forex reserves stand at about \$295 billion. Fed tapering is expected to impact countries which are running high fiscal deficits. QE cut should not be a worry for the Indian economy as well as the stock markets as our fundamentals are strong.

Bullish Outlook

The US is cutting QE as the latest figures project a pretty strong rebound for the US economy. Given this, the strength in US economy augurs well for emerging market economies like India. India is the best place to attract demand as developed economies shows strength and demand improves. As and when the dust settles, we think India is set up well for a decent year.

RBI Impact

The Reserve Bank of India, like central banks of several emerging economies, is going for extraordinary repo rate hikes. The RBI raised the repo rate by another 25 basis points in its latest policy meet on January 28. The rate hike is seen as stemming a possible slide in the currency on account of QE cut. When RBI announced a rate hike, the rupee actually appreciated. Rupee is currently at 63 and may move a little bit further.

Political factor

Stock market is betting on a BJP-led government at the Centre to revive sentiment. A stable government will push the market to good levels near December. This probably is another factor why the markets are ignoring the QE cut, which has already been factored in by investors.

We advise you to continue investing in equities through systematic investment plan (SIP) offered by mutual funds and take advantage of volatile market conditions.



An Asset Allocation Fund to Consider

All of us know the importance of Asset Allocation. Needless to mention that to achieve one's financial goal an asset allocation plan along with regular re-balancing of the portfolio is the most critical part of any Financial Plan. But many a times, we end up not following the same despite knowing the criticality of the strategy.

Let us look at the factors which act as a deterrent for us to implement Asset Allocation:

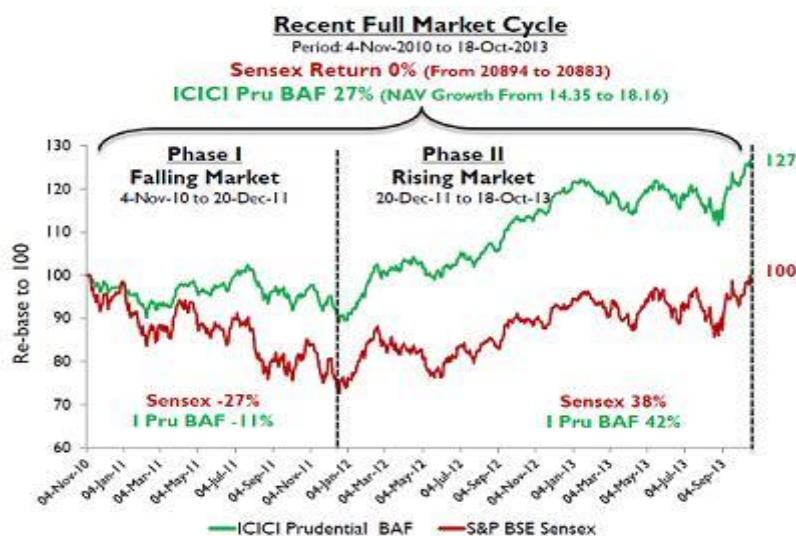
- Daily re-balancing is almost impossible at an individual level
- Tax implementation eats up investment returns
- Exit Load structure of the scheme
- Operational issues / paper work

Is there any solution to that??

We have selected a recent time period when the Sensex has covered **Full Market Cycle** i.e. it has fallen to a certain level and then bounced back to its initial level. Thus generating Zero % returns.

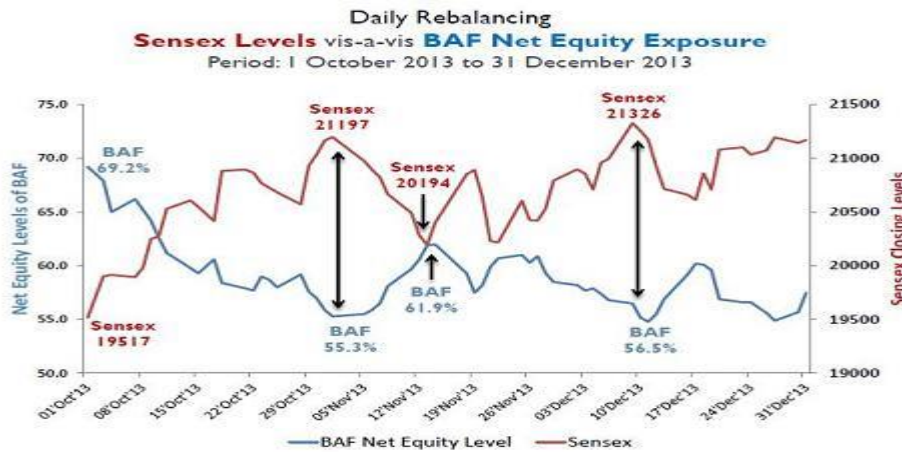
During Phase I (Falling Market, 4 Nov 2010 to 20 Dec 2011) Sensex has fallen 27% whereas **ICICI Prudential Balanced Advantage Fund (BAF)** has fallen by just 11%. Hence, BAF been able to restrict the downside and generated an absolute alpha of 16%. Also, when the market has recovered to its initial level during Phase II (Rising Market, 20 Dec 2011 to 18 Oct 2013) Sensex has risen by 38% whereas BAF has given a return of 42%.

Hence, during Full Market Cycle (Flat Market, 4 Nov 2010 to 18 Oct 2013, Sensex Return 0%), ICICI Prudential Balanced Advantage Fund has been able to generate an alpha of 27%.



But, how this fund has been able to do this??

Buy Low & Sell High - This is a golden investment rule which we all know. But due to psychological barriers (Greed & Fear) we often end up doing exactly the opposite. **ICICI Prudential BAF** removes this psychological barrier for its investors. The fund uses a pre-defined matrix of Price to Book Ratio of Nifty/Sensex to decide the equity levels of the fund. It allocates higher in equity when the market is down and lower when the market is up. Each time the market rises, the fund reduces its Net Equity Position and vice-versa.



What about the final out-come of the strategy??

Fund has been able to generate superior returns for its investor. The recent performance is given below:

SCHMES	NAV (9-Feb-2014)	6 M	1 Y	2 Y	3 Y	5 Y
ICICI PRU - BALANCED ADVANTAGE FUND REG (G)	18.7	12.92	9.23	14.47	12.97	17.92
NSE - CNX NIFTY	6063.2	8.96	2.71	5.85	4.89	15.74
CRISIL BALANCED FUND INDEX	3966.68	6.74	3.09	6.18	5.91	12.85

Returns less than 1 year are absolute and more than 1 year are CAGR.

To Summarise

- BAF is a uniquely designed product to **“Benefit out of Volatility”**
- Works on the Golden Rule of Investing: **"Buy Low, Sell High"**
- Endeavour to generate Alpha in **“Full Market Cycle”**
 - Falling Market: Reduce Down-side
 - Rising Market: Participate in Market rally
- Tax Free Long Term Gains (**Equity Taxation**)
- An All Seasoned Equity Fund

For more information on Asset Allocation Funds, contact us on mail@netbrokers.co.in



Rajiv Gandhi Equity Savings Scheme (RGESS)

Investors who have already exhausted Rs 1 Lac limit under Section 80C, can claim a further deduction of Rs 25,000 on your taxable income by investing in the Rajiv Gandhi Equity Savings Scheme.

Rajiv Gandhi Equity Savings Scheme or RGESS is an equity tax advantage savings scheme for equity investors in India, with the stated objective of encouraging the savings of the small investors in the domestic capital markets. This Scheme would give tax benefits to new investors who invest up to Rs. 50,000 and whose annual income is below Rs. 12 lakh.

The RGESS is only for individuals who have not invested directly in equities, including shares and derivatives, before 23 November 2012. If you hold units in an equity mutual fund, you are eligible to invest in it under the present rules. Also, if you have a demat account, but have not used it for transactions before the specified date, you can avail of the RGESS benefits.

The scheme permits investment in a basket of shares, as well as RGESS-designated mutual funds. The former covers the top 100 stocks on the BSE-100 and CNX-100 indices, including shares comprising the benchmark Nifty and Sensex, as well as shares of certain public sector undertakings (PSUs) categorised by the government as Maharatna, Navratna and Miniratna. The underlying investments of the RGESS-designated funds are also included in these eligible securities. Apart from these, investments in follow-on public offers of both sets of companies and new funds offers of PSUs are RGESS-compliant.

Benefits:

1. The maximum Investment permissible under the Scheme is Rs. 50,000 and the investor would get a 50% deduction of the amount invested from the taxable income for that year.
2. It provides additional tax benefits over and above the present tax savings schemes under the Income Tax Act.
3. Gains, arising of investments in RGESS, can be realized after a year. This is in contrast to all other tax saving instruments.
4. Dividend payments are tax free.

We advise investors to avail entire Rs 1 Lac benefit under Section 80C and opt for ELSS if they want equity exposure. If you are inclined to save more tax, you can consider opting for the RGESS, preferably through any of the designated mutual funds, not through direct investment in shares.

For more information on RGESS, contact us on mail@netbrokers.co.in



Yamuna Expressway: Great Investment Option

The Yamuna Expressway is 165 km long, originating from Noida to Greater Noida and beyond till Agra and its proximity to both Noida and Greater Noida - which are established towns - is expected to spur additional developments as well. The current development is 'ribbon type' and is expected to pick up momentum.

The advantages of proximity to development hubs of Noida and Greater Noida will add to the attractiveness of this area. The proposed Delhi Mumbai Industrial Corridor expected to pass through Dadri will also boost development of warehousing and Special Development Zones along both sides of the Expressway.

An area with low prices and upcoming projects also at low price-points, enough scope for future developments and investment in infrastructure projects to create a well-developed hub equals a good investment option.

The region has a tech zone city, educational hubs namely Gautam Buddha University, Galgotia University and residential projects. Upcoming major IT companies in this area include Infosys, Wipro and HCL. One of the landmark projects under construction is World Trade Centre being developed by Spire Group along the Yamuna Expressway.

Talking about the attractive townships in this area from developers such as Jaypee, ATS, Gaur, let's look at some of their details below:

➤ **JAYPEE**

Jaypee Greens Sports City is a fully equipped & integrated modern city, offering world class infrastructure and amenities contributing to a luxury lifestyle. The 5000 acre city would be a complete blend of residential, commercial, institutional & recreational areas. The sports city is connected with 'Boulevard' that passes through the entire city. Its features India's first FORMULA ONE CIRCUIT – BUDDH INTERNATIONAL CIRCUIT.

➤ **ATS**

The new project of the ATS group, known as ATS ALLURE is a 100 acre township with high end 2/3 BHK apartments. It is a 5 minute drive from the international racing track at Jaypee Sports City & next to the night safari in proposal.

➤ **Gaur**

Gaur Yamuna City is a 240 acres project and would have 15000 apartments, lakes, schools, hospital and infrastructure facilities with investment of Rs 5000 Crore.

For more information on Yamuna Expressway Projects, contact us on mail@netbrokers.co.in



Your Real Estate Menu Card



Net Brokers presents to you February recommendations for Residential & Commercial Projects in Delhi/NCR.

RESIDENTIAL	Location	Size	Budget	BSP/sqft
Jaypee Udaan	Jaypee Sports City, Yamuna Expressway	2, 3 BHK	43.98 lacs onwards	Rs 3665
Vipul Gardens	Dharuhera	1,2,3 BHK	37.20 lacs onwards	RS 3000
ATS Allure	Yamuna Expressway	2, 3 BHK	34.50 lacs onwards	Rs 3000
Raheja Revanta	Sector 78, Gurgaon	1,2,3,4,5,6 BHK	96 lacs onwards	Rs 7975
Lotus Zing	Sector 168, Noida	2,3 BHK	73.42 lacs	Rs 5500
Mahagun Mantra	Sector 10, Greater Noida West	2, 3 BHK	30.75 lacs	Rs 3000

The commercial projects offer an assured return of 11/12%.

COMMERCIAL	Location	Size	Budget	BSP/sqft
WTC Noida	Yamuna Expressway	450 sqft & multiples	28.12 lacs onwards	Rs 6250
Vatika Mindscape	Mathura Road	500 sqft	35 lacs onwards	RS 7800

For more information on Real Estate Projects, contact us on +91 9810865345 / mail@netbrokers.co.in

New Investment Offers

- **Mutual Funds**

New Fund Offers

Fund	Category	Type	Open	Close	Asset Allocation (Debt: Equity)
BNP Paribas Medium Term Income	Debt	Open-end	14- Feb	28- Feb	100% Debt
DWS Medium Term Income	Debt	Open-end	18- Feb	04-Mar	100% Debt
HDFC RGESS Series 2	Equity	Closed-end	30- Jan	24- Feb	100% Equity
ICICI Pru Multiple Yield Sr 6 A	Hybrid Debt	Closed-end	10- Feb	24- Feb	70:30
IDBI Debt Opportunities	Equity	Open-end	11- Feb	24- Feb	90:10
IDFC Equity Opportunity Series 3	Equity	Closed-end	10- Feb	21- Feb	80:20
Reliance Dual Advantage FTF V Plan A	Hybrid-Debt	Closed-end	04- Feb	18- Feb	65:35
Reliance Dual Advantage FTF V Plan B	Hybrid-Debt	Closed-end	11- Feb	03-Mar	70:30
SBI Tax Advantage Series III	Equity: Tax	Closed-end	28- Dec	27-Mar	70:30

Fixed Maturity Plans

Fund	Tenure (Days)	Opening	Closing	Asset Allocation
DWS FMP Ser 49	407	17- Feb	19-Feb	100% Debt
ICICI Pru FMP Series 72 409D Plan S	409	17- Feb	24-Feb	100% Debt
IDFC FTP Series 74	411	12- Feb	20-Feb	100% Debt
Kotak FMP Series 140	1095	12- Feb	20-Feb	100% Debt
Kotak FMP Series 141	454	14- Feb	17-Feb	100% Debt
Reliance FHF XXV Series 21	419	14- Feb	19-Feb	100% Debt
Reliance FHF XXV Series 25	1091	18- Feb	25-Feb	100% Debt

- **Tax Free Bonds**

Issue Name	Interest Rate	Opening	Closing	Face Value Per Bond	Minimum Bonds
Indian Renewable Energy Development Agency Ltd (IREDA)	8.80% p.a.	17-Feb	10-Mar	Rs.1,000	5 Bonds and in multiples of 1 Bond thereafter
India Infrastructure Finance Company Ltd(IIFCL)	8.80% p.a.	17-Feb	14-Mar	Rs.1,000	5 Bonds and in multiples of 1 Bond thereafter
Ennore Port Limited (EPL)	9.00%p.a.	18-Feb	14-Mar	Rs.1,000	5 Bonds and in multiples of 1 Bond thereafter

For more information on New Investment Offers, contact us on mail@netbrokers.co.in

FIXED DEPOSITS

Earn Assured Returns up to 12.28 % p.a.

Offered By Renowned Companies

S.No.	Company Name	Period			3 Years Yield (In %)	Senior Citizen	
		1 Year	2 Year	3 Year		(additional Rate)	(Yield in %)
1	Shriram Transport Finance	9.25	9.75	10.75	11.94	0.25	12.25
2	Kerala Transport Development Finance Corporation LTD	10.25	10.25	10.25	11.94	0.25	12.28
3	Mahindra & Mahindra Finance Ltd	9.25	10.00	10.25	11.34	0.25	11.64
4	Bajaj Finance Ltd	9.75	9.75	10.00	11.03	0.25	11.34
5	DHFL	10.00	10.00	10.00	11.33	0.50	11.98
6	HDFC Ltd. Platinum Deposit 15 Months	9.60%			9.78	0.25	10.04

* The rates of interest are applicable as on the data mentioned herein above. The rate may be revised at the sole discretion of the respective companies inviting the Fixed Deposits without Further Notice.



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